

## Spring planting intentions. . . Oats outlook. . . Farm credit. . . Argentina's economic crisis. . . China & NIS trade prospects

### Farm Credit Use to Expand Moderately in 2002

**Farm lending**, which has been growing since 1992, is expected to rise again in 2002. Last year, U.S. farmers held \$192.8 billion in farm loans. For 2002, a rise of 1.9 percent to \$196.5 billion is forecast, the smallest annual growth in a decade. With limited or no gains in farm commodity prices expected this year, following the relatively low levels of 2001, and uncertainties about future levels of direct government payments, farmers and lenders may be more cautious about adding debt. Also moderating credit demand are high levels of direct government payments to farmers in recent years, adequate levels of working capital, and sizable off-farm earnings.

### Interest Rates on Farm Loans To Increase During 2002-03

**Borrowers, including** farm borrowers, are likely to encounter rising interest rates in 2002 and 2003 after enjoying declining rates since mid-2000. The upward pressure comes from the economic rebound that began in late 2001, stronger business credit demand, tighter domestic monetary policy, and gradually accelerating economic growth. Farm loan rates are expected to increase less than most interest rates because of a historic adjustment lag.

### Soybean & Cotton Plantings to Decline in Favor of Corn in 2002

**Planting intentions** in 2002 for the eight major U.S. field crops amount to 248.3 million acres, nearly identical to last year's plantings despite widespread weak price signals. Corn planting intentions are up 4 percent from last year, due partly to reduced fertilizer costs for corn production and lower anticipated returns for competing crops. Crop rotation considerations and uncertainty about the farm bill may also draw acreage from soybeans to corn, contributing to the slight intended reduction in overall soybean area. Wheat plantings continue to decline.



### Oats Market Strong in 2001/02

**Oats, least prominent** of the feed grains, have gained attention as prices climb and buyers scramble to ensure supplies. The U.S. currently imports about 30 percent of its total oats supply, primarily from Canada. While world stocks are projected to increase due to larger global production, stocks of high-quality milling oats are projected to decline significantly—e.g., in Canada. The tight domestic supply of high-quality oats in 2001/02 is due to weather problems in the upper Midwest, and in the oats-growing regions of Canada, Sweden, and Finland.

### Argentina's Economic Crisis: Can the Ag Sector Help?

**A simple resolution** to Argentina's severe economic crisis does not appear imminent. Although devaluation of the Argentine *peso* could eventually generate an export-led recovery, agricultural production and exports will likely be hindered by new export taxes, capital controls, higher input prices, and tight credit conditions. To improve cash flow and reduce expenses, Argentine farmers may switch some corn production to a soybean-wheat double-cropping rotation using fewer manufactured inputs.

### Could the NIS Region Become A Major Grain Exporter?

**Western analysts have** predicted that reform in the New Independent States (NIS) of the former Soviet Union could transform the region from a large grain importer (as during the Soviet period) into a major grain exporter. The ability of the NIS region to become a major grain exporter depends mainly on whether or not it can produce grain at a relatively low cost. Recent research by USDA's Economic Research Service indicates that relative production costs of outputs and inputs compared with other producing countries do not currently support large NIS grain imports or exports.

### Farmland Protection Programs: What Does the Public Want?

**Public support** has been growing for government farmland protection programs. Behind this support is the perception that farmland produces more for society than food and fiber, such as scenic views, environmental benefits, and maintaining an agrarian heritage. Designing and implementing a cost-effective farmland protection program that provides the greatest possible benefits requires an understanding of public preferences for particular amenities, as well as which amenities are best provided by preserving farmland.

### China: En Route to a New Role In Global Agriculture

**Beyond the** headline-grabbing events that have recently captured the attention of analysts and policymakers is a larger picture of China's evolving role in agricultural markets. As China grows, develops, and integrates with the world economy, it is likely to become an even larger and steadier customer for agricultural imports. At the same time, China could become a competitive exporter of fruits, vegetables, fish, meat, and poultry if its production were modernized, its marketing infrastructure improved, and food safety and animal health issues resolved.